

REGISTRATION NO. 16548-D
JAN 21 1982 -1 50 PM
INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

SECURITY AGREEMENT dated as of July 28, 1981, between MANUFACTURERS HANOVER LEASING CORPORATION, a New York corporation, (herein called "Secured Party"), and EMONS INDUSTRIES, INC., a New York corporation, (herein called "Guarantor").

W I T N E S S E T H:

Pursuant to a Lease Agreement dated as of June 24, 1981, between the Guarantor, as lessor, and North American Car Corporation, Canadian Railcar Division, as lessee ("NAC"), (the "NAC Sublease"), the Guarantor has agreed to lease to NAC, and NAC has agreed to hire from the Guarantor, two hundred seventy-five (275) Class "XP" boxcars.

Pursuant to a Lease Agreement dated as of June 12, 1979 between the Secured Party, as lessor, and the Maryland & Pennsylvania Railroad Company, a Maryland and Pennsylvania corporation wholly-owned by the Guarantor (the "Railroad"), as lessee, (the "Lease"), the Secured Party has leased to the Railroad, and the Railroad has agreed to hire from the Secured Party, one hundred fifty-six (156) Class "XP" boxcars (the "MHL Cars"), forty-one (41) of which will be subleased to NAC pursuant to the NAC Sublease.

Pursuant to a Guarantee dated June 12, 1979 (the "Guarantee"), the Guarantor, Emons Railcar Corp. and Emons Leasing Co., Inc. each, jointly and severally, have guaranteed to the Secured Party the full and punctual performance and payment when due of all Obligations (as such term is defined in the Guarantee) owing by the Railroad to the Secured Party under, among other things, the Lease.

NOW THEREFORE, the parties hereto agree:

(1) In consideration of and as an inducement to Secured Party to consent to, among other things, the inclusion of forty of the MHL Cars in the NAC Sublease, the Guarantor hereby sells, assigns, transfers, pledges and sets over unto the Secured Party the Guarantor's right, title and interest in and to the NAC Sublease and in and to rent to become due and payable from time to time under the NAC Sublease, and the proceeds thereof, as collateral security for the payment and performance of all obligations and duties of Guarantor to Secured Party arising under or by virtue of the Guarantee; provided, however, that the Secured Party's right to receive any funds payable by NAC to Guarantor pursuant to the NAC Sublease shall be a right to receive a portion (the "Pro-rated Portion") of any such funds equal to the amount payable to Secured Party pursuant to the terms of an Inter-

creditors Agreement, dated as of July 28, 1981 among the Secured Party, the Guarantor, Walter E. Heller & Company, Hamilton Bank, UTC Equipment Corporation and NAC.

(2) Upon the occurrence of any Event of Default by the by the Guarantor (as "Event of Default" is defined in the Guarantee), unless such Event of Default shall have been waived by the Secured Party, the Secured Party may, upon giving written notice to NAC of such default, but without notice to or consent of Guarantor, proceed to exercise one or more of the rights and remedies accorded to a secured party by applicable law, all of which rights and remedies shall be cumulative, and in such event, without limiting the generality of the foregoing, the Secured Party shall have the right, upon giving NAC written notice of such default, but without notice to or consent of Guarantor:

(i) To instruct NAC to pay directly to the Secured Party or its designee a portion of the moneys payable to Guarantor under the NAC Sublease equal to the Pro-rated Portion, when and as the same become due and payable, for the entire duration of the NAC Sublease and any renewals or extensions thereof, provided, however, that Secured Party shall provide notice to Guarantor of such instruction; and

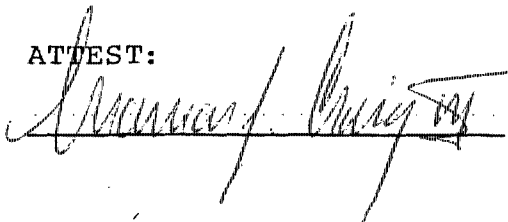
(ii) To demand, collect, receive and sue for a portion of such moneys due and payable and to become due and payable under the NAC Sublease equal to the Pro-rated Portion to the extent necessary to discharge in full the obligations of Guarantor under the Guarantee, to give all necessary receipts and acquittances therefor and to take all such other action as Secured Party may deem necessary or proper in connection therewith.

All of the proceeds received by Secured Party shall be applied first to the payment of the reasonable costs and expenses incurred by Secured Party in connection with Guarantor's default, including reasonable attorney's fees and legal expenses, then to the payment of all amounts then due and unpaid under the Guarantee, and then to pay the balance, if any, as required by law.

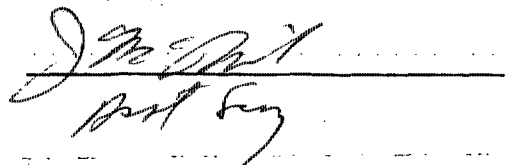
(3) The Secured Party consents to the inclusion of forty-one MHL Cars in the NAC Sublease.

IN WITNESS WHEREOF, the parties have duly executed this Lease the day and year first above written.

ATTEST:



ATTEST:



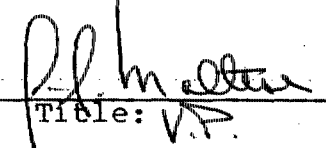
MANUFACTURERS HANOVER LEASING CORPORATION

By:


Title: V.P.

EMONS INDUSTRIES, INC.

By:


Title: V.P.

STATE OF *New York*)
COUNTY OF *New York*) : SS.:
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On the *30th* day of *October*, 1981, before me personally appeared *Philip F. Brown* to me personally known, who, being by me duly sworn, says that he is the *Vice President* of MANUFACTURERS HANOVER LEASING CORPORATION, the Secured Party in the foregoing Security Agreement, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Kathleen Caime
Notary Public

KATHLEEN CAIME
Notary Public, State of New York
No. 41-4727546
Qualified in Richmond County
Certified in New York County
Term Expires March 30, 1982

STATE OF PENNSYLVANIA) : SS.:
COUNTY OF YORK)

On the *19th* day of *November*, 1981, before me personally appeared *J. Mather*, to me personally known, who, being by me duly sworn, says that he is the *Vice Pres* of EMONS INDUSTRIES, INC., Guarantor in the foregoing Security Agreement, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Edythe Horvath
Notary Public
MY COMMISSION EXPIRES
JANUARY 31, 1985
YORK, YORK COUNTY, PA